

Message Text

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APPROVED BY STATE:EB:CBA:BP-MR. WINTER

EA/J - WILLIAM PIEZ (SUBS)

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TO AMEMBASSY TOKYO IMMEDIATE

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FOR BETSY ANCKER-JOHNSON

E.O. 11652:N/A

TAGS: TPHY, OVIP, JA

SUBJECT: RECENT PATENT LEGISLATIVE ACTIVITIES

REF: TOKYO 14650

1. I APPRECIATE THE OPPORTUNITY TO MEET WITH YOU THIS MORNING AND DISCUSS RECENT LEGISLATIVE ACTIVITY IN THE PATENT FIELD. I AM SURE THAT MANY OF YOU HAVE HEARD VARIOUS REPORTS OF WHAT IS HAPPENING ON THESE FRONTS IN THE UNITED STATES AND IT SEEMED TO ME THAT IT WOULD BE APPROPRIATE TO GIVE YOU A BRIEF STATUS REPORT. THE TWO AREAS OF ACTIVITY WITH WHICH I HAVE BEEN MOST DIRECTLY CONCERNED AND ABOUT WHICH I WOULD LIKE TO ADDRESS MY REMARKS THIS MORNING INVOLVE THE ADMINISTRATION'S EFFORTS TO REVISE OUR PATENT LAWS AND THE PATENT PROVISIONS IN THE ENERGY BILLS SOON TO GO TO A HOUSE-SENATE CONFERENCE.

2. THE EFFORT TO REVISE OUR PATENT LAWS BEGAN WITH THE RELEASE OF THE REPORT OF THE PRESIDENT'S COMMISSION ON THE PATENT SYSTEM LATE IN 1966. FOLLOWING THE RELEASE OF THIS REPORT, THE FIRST IN A LONG SERIES OF BILLS TO REVISE OUR PATENT LAWS WAS INTRODUCED IN FEBRUARY 1967.

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THIS BILL, WHICH WAS DRAFTED BY THE DEPARTMENTS OF COMMERCE

AND JUSTICE AND THE PRESIDENT'S SCIENCE ADVISOR IN A VERY SHORT SPAN OF TIME WITH LITTLE INPUT FROM INDUSTRIAL AND BAR GROUPS, WOULD HAVE MADE SWEEPING REFORMS IN OUR PATENT SYSTEM. AS YOU MIGHT IMAGINE, THIS ORIGINAL LEGISLATIVE PROPOSAL TO REVISE OUR PATENT LAWS MET WITH GREAT OPPOSITION UPON ITS INTRODUCTION IN THE CONGRESS. SUBSEQUENTLY, VARIOUS BILLS DIRECTED TOWARD ACHIEVING A COMPROMISE OF THE POSITIONS OF THE GOVERNMENT AND THE PRIVATE SECTOR WERE INTRODUCED UNTIL, IN 1970, GENERAL CONSENSUS HAD BEEN REACHED AS TO THE CONTENTS OF A SOUND PATENT REVISION BILL.

3. AT APPROXIMATELY THIS SAME TIME, HOWEVER, AN EFFORT WAS INITIATED TO INCORPORATE INTO THE PATENT REVISION EFFORT PROVISIONS CLARIFYING THE RELATIONSHIP BETWEEN THE PATENT AND ANTI TRUST LAWS. MORE SPECIFICALLY, AN EFFORT WAS

LAUNCHED TO ADD TO THE PATENT LAWS PROVISIONS SPECIFYING HOW A PATENT OWNER MIGHT SAFELY LICENSE HIS PATENT WITHOUT FEAR OF TRANSGRESSING THE ANTITRUST LAWS. THE PURPOSE WAS, OF COURSE, TO BRING A MEASURE OF CERTAINTY AND STABILITY INTO PATENT LICENSING PRACTICES.

4. THESE AMENDMENTS, GENERALLY REFERRED TO AS THE SCOTT AMENDMENTS, KINDLED A DISPUTE BETWEEN THE DEPARTMENT OF COMMERCE AND THE ANTITRUST DIVISION OF THE DEPARTMENT OF JUSTICE. DURING HEARINGS IN 1971 BEFORE THE SENATE SUBCOMMITTEE ON PATENTS, TRADEMARKS AND COPYRIGHTS, CHAIRMAN BY SENATOR MCCLELLAN, BOTH THE DEPARTMENT OF JUSTICE AND THE DEPARTMENT OF COMMERCE WERE PERMITTED TO OFFER THEIR SEPARATE VIEWS REGARDING THE DESIRABILITY OF PROVISIONS ALONG THE LINES OF THE SCOTT AMENDMENTS. FOLLOWING THESE HEARINGS, THE CAUSE OF PATENT LAW REVISION WAS IN A STATE OF LIMBO, WITH THE SUBCOMMITTEE UNCERTAIN AS TO HOW IT SHOULD PROCEED. THEN, IN THE FALL OF 1972, SENATORS MCCLELLAN AND SCOTT INFORMED THE PRESIDENT THAT THE CAUSE OF PATENT LAW REVISION WOULD BE GREATLY FACILITATED IF THE ADMINISTRATION COULD DEVELOP A UNIFIED POSITION.

5. IN RESPONSE TO THIS REQUEST, THE DEPARTMENTS OF COMMERCE AND JUSTICE BEGAN EARLY IN 1973 TO ATTEMPT TO UNCLASSIFIED

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RESOLVE THEIR DIFFERENCES OVER THE CONTENTS OF A SOUND PATENT REVISION BILL. THIS DISCUSSION, OR MORE ACCURATELY PUT, ARGUMENT, WAS EVENTUALLY TAKEN TO THE WHITE HOUSE IN THE SUMMER OF 1973 WHERE, DURING ALMOST DAILY MEETINGS, AN ADMINISTRATION BILL WAS FORGED. THE RESULT OF THIS COMPROMISE PROCEDURE WAS INTRODUCED AS THE PATENT LAW

MODERNIZATION BILL OF 1973, S. 2504, IN OCTOBER LAST YEAR.

6. THE ADMINISTRATION PATENT REVISION BILL IS EXTREMELY DETAILED AND RAISES A NUMBER OF COMPLEX ISSUES. OBVIOUSLY, THERE IS NOT ENOUGH TIME TO DISCUSS THE MANY PROVISIONS OF THE BILL IN WHICH YOU MIGHT BE INTERESTED, HOWEVER, I BELIEVE IT WOULD BE USEFUL TO AT LEAST HIGHLIGHT SOME OF THE PROPOSALS CONTAINED IN S. 2504.

7. PERHAPS MORE THAN ANYTHING ELSE, THE BILL WAS INTENDED TO IMPROVE THE VALIDITY OF ISSUING PATENTS. THE BILL WOULD ACCOMPLISH THIS END BY: OBTAINING GREATER INFORMATION FROM THE APPLICANT AND HIS ATTORNEY; OBTAINING GREATER INFORMATION FROM THE PUBLIC; AND MAKING PROCEDURES FOR OBTAINING PATENTS MORE ADVERSARY IN NATURE.

8. TURNING TO THE FIRST OF THESE PRINCIPAL THRUSTS, S. 2504 IMPOSES ON INVENTORS, ASSIGNEES, AND THEIR ATTORNEYS A DUTY OF CANDOR AND GOOD FAITH TO THE PATENT OFFICE, A DUTY TO MAKE INQUIRY INTO INFORMATION IN THEIR POSSESSION OR CONTROL, AND A DUTY TO DISCLOSE TO THE PATENT OFFICE ALL RELEVANT INFORMATION KNOWN TO THEM. COUPLED WITH THESE STATUTORY DUTIES IS A REQUIREMENT TO FILE WITH EACH PATENT APPLICATION A MEMORANDUM OF PATENTABILITY, OR PATENTABILITY BRIEF, IN WHICH THE APPLICANT MUST CITE EACH PATENT WHICH WAS CONSIDERED IN PREPARING THE APPLICATION, TOGETHER WITH AN EXPLANATION OF WHY HIS INVENTION IS PATENTABLE OVER SUCH PATENTS.

9. THE ADMINISTRATION PATENT BILL WOULD OBTAIN GREATER INFORMATION FROM THE PUBLIC BY PERMITTING THE PUBLIC TO BECOME INVOLVED IN THE EXAMINATION PROCESS. THIS IS ACCOMPLISHED BY PROVISIONS PERMITTING THE PUBLIC TO SUBMIT A WRITTEN BRIEF PROTESTING THE ISSUANCE OF A PATENT

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ON ANY APPLICATION WHICH THE EXAMINER HAS DETERMINED ALLOWABLE AFTER COMPLETING HIS REVIEW. THIS PROTEST OR OPPOSITION WOULD ALSO PERMIT A MEMBER OF THE PUBLIC TO ARGUE AS AN ADVERSARY AGAINST THE ISSUANCE OF A PATENT IN A PROCEEDING TO BE CONDUCTED BY THE HIGHEST TRIBUNAL WITHIN THE PATENT OFFICE, THE BOARD OF EXAMINERS-IN-CHIEF.

10. RELATED TO THIS FEATURE OF PERMITTING PUBLIC PARTICIPATION IN THE EXAMINATION PROCESS ARE PROVISIONS CREATING A SO-CALLED PUBLIC COUNSEL. THESE PROVISIONS: CREATE AN OFFICER IN THE PATENT OFFICE TO ASSIST AN EXAMINER IN HIS CONSIDERATION OF AN APPLICATION, REQUIRE THE OFFICER TO ARGUE ON BEHALF OF AN EXAMINER ANY TIME AN APPLICANT APPEALS A DECISION TAKEN BY AN EXAMINER, AND GIVE THE OFFICER BROAD AUTHORITY TO INVESTIGATE POSSIBLE SITUATIONS OF

FRAUD OR INEQUITABLE CONDUCT ON THE PART OF APPLICANTS AND THEIR ATTORNEYS. TOGETHER WITH THE OPPOSITION PROVISIONS, THE PROVISIONS CREATING A PUBLIC COUNSEL TO ASSIST EXAMINERS WAS THOUGHT TO PROVIDE AN IMPORTANT CHECK AGAINST THE INSURANCE OF INVALID PATENTS.

11. IN ADDITION TO THESE PRINCIPAL THRUSTS WHICH I HAVE MENTIONED, S. 2504 WOULD MAKE SEVERAL OTHER CHANGES IN OUR EXISTING PATENT STATUTE. AMONG OTHER CHANGES, IT WOULD REQUIRE THE PAYMENT OF FEES TO MAINTAIN PATENTS IN FORCE WHERE THESE PATENTS WERE NOT BEING UTILIZED; PROVIDE A PATENT TERM OF 20 YEARS FROM FILING (RATHER THAN THE PRESENT 17 YEARS FROM GRANT); PROVIDE THAT QUESTIONS OF PATENT VALIDITY AND MISUSE COULD BE SUBMITTED TO ARBITRATION UPON THE AGREEMENT OF THE PARTIES INVOLVED; AND PROVIDE CLARIFICATION OF QUESTIONS INVOLVING LICENSEE AND ASSIGNOR ESTOPPEL AND THE NON-PREEMPTION BY THE PATENT STATUTE OF STATE TRADE SECRET LAW.

12. THE SENATE SUBCOMMITTEE FOR PATENTS, TRADEMARKS AND COPYRIGHTS RECEIVED COMMENTS ON S. 2504 FROM INTERESTED INDUSTRIAL AND BAR GROUPS FOR SEVERAL MONTHS. EVENTUALLY, THE SUBCOMMITTEE REPORT A COMMITTEE PRINT OF S. 2504 WHICH REFLECTED MANY OF THE COMMENTS THE SUBCOMMITTEE HAD RECEIVED FROM THE PRIVATE SECTOR DURING ITS DELIBERATIONS ON THE BILL. SHORTLY THEREAFTER, SENATOR MCCLELLAN
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REQUESTED SECRETARY OF COMMERCE DENT TO INITIATE AN ADMINISTRATION REVIEW OF THE COMMITTEE PRINT OF S. 2504.

13. IN REVIEWING THE COMMITTEE PRINT, THE DEPARTMENT OF COMMERCE BROUGHT TO LIGHT SOME RATHER SIGNIFICANT INFORMATION REGARDING THE ORIGINAL ADMINISTRATION BILL AND, IF YOU WILL, THE GENERAL STATE OF HEALTH OF THE EXISTING PATENT SYSTEM. FIRST, THE ADMINISTRATION EVALUATED THE COST OF IMPLEMENTING S. 2504 AND CONCLUDED THAT IT WOULD ADD APPROXIMATELY 20 TO 31 MILLION DOLLARS ANNUALLY TO THE 70 PLUS MILLION DOLLAR BUDGET OF THE PATENT OFFICE.

14. SECONDLY, THE PATENT OFFICE HAD CONCLUDED A FIVE YEAR STUDY OF LITIGATION INVOLVING PATENTS AND FOUND SOME RATHER REVEALING INFORMATION. ONE OF THE CRITICISMS FREQUENTLY LEVELED AT OUR EXISTING PATENT SYSTEM INVOLVES THE NUMBER OF PATENTS FOUND INVALID BY FEDERAL COURTS OF APPEAL. THE MOST FREQUENT COMMENT IS THAT 70 PERCENT OF ALL PATENTS CONSIDERED BY COURTS OF APPEAL ARE FOUND INVALID.

15. OF COURSE, IT HAD BEEN RECOGNIZED THAT LESS THAN 1/2 OF 1 PERCENT OF ALL PATENTS ISSUED ARE EVER LITIGATED.

HOWEVER, MOST OF THE STUDIES ON THE QUESTION OF PATENT VALIDITY HAD FOCUSED ON HOLDINGS BY CIRCUIT COURTS, IGNORING THE FACT THAT MANY PATENTS WHICH ARE LITIGATED ARE NEVER REVIEWED BY COURTS OF APPEAL. THE PATENT OFFICE FOUND THAT DURING THE FIVE YEAR PERIOD FROM 1968 THROUGH 1972, 2,025 PATENTS WERE LITIGATED. OF THESE SOME 2,000 SUITS, 638 WERE ACTUALLY LITIGATED ON THE MERITS, THE REMAINING SUITS BEING TERMINATED BY DISMISSAL OR INVOLVING CONSENT JUDGEMENTS, SUMMARY JUDGEMENTS, ETC. OF THOSE PATENTS ACTUALLY LITIGATED ON THE MERITS, THE PATENT OFFICE STUDY REVEALED THAT APPROXIMATELY 50 PERCENT OF THE PATENTS LITIGATED WERE ULTIMATELY FOUND VALID AND APPROXIMATELY 50 PERCENT OF THE PATENTS LITIGATED WERE FINALLY FOUND INVALID BY THE DISTRICT COURTS. (THE EXACT FIGURES ARE 47.4 PERCENT VALID, 52.6 PERCENT INVALID).

16. WITH RESPECT TO THE 70 PERCENT INVALIDITY RATE BY COURTS OF APPEAL, THE REVEALING FACT IS THAT OF THOSE CASES APPEALED TO COURTS OF APPEAL, 68 PERCENT INVOLVED UNCLASSIFIED

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PATENTS WHICH HAD BEEN FOUND INVALID BY THE DISTRICT COURTS BELOW. THEREFORE, THE FACT THAT 70 PERCENT OF THE PATENTS CONSIDERED BY COURTS OF APPEAL ARE FOUND INVALID IS PRIMARILY A REFLECTION OF THE TYPE OF PATENT APPEALED. OVERALL, I REPEAT THAT APPROXIMATELY 50 PERCENT OF THE PATENTS LITIGATED ON THE MERITS ARE FOUND VALID AND 50 PERCENT INVALID.

17. ANOTHER ASPECT OF THE PATENT OFFICE STUDY INVOLVED THE QUESTION OF FRAUD. THERE HAS BEEN CONSIDERABLE DISCUSSION REGARDING THE QUESTION OF FRAUD ON THE PATENT OFFICE AND ALLEGATIONS TO THIS EFFECT HAVE ALMOST BECOME A STANDARD ITEM BY A DEFENDANT IN ANY PATENT INFRINGEMENT SUIT. THE PATENT OFFICE STUDY REVEALED THAT, DURING THE FIVE YEAR PERIOD COVERED, ONLY 22 PATENTS WERE HELD UNENFORCEABLE ON GROUNDS OF FRAUD OR INEQUITABLE CONDUCT. WHETHER ONE CONSIDERS THAT OVER 360,000 PATENTS WERE ISSUED DURING THIS FIVE YEAR PERIOD, OR WHETHER 2,025 PATENTS WERE LITIGATED DURING THIS PERIOD, OR WHETHER 638 PATENTS WERE FULLY LITIGATED ON THEIR MERITS DURING THIS PERIOD, THE 22 PATENTS ACTUALLY FOUND UNENFORCEABLE ON THE BASIS OF FRAUD OR INEQUITABLE CONDUCT IS CERTAINLY A NEGLIGIBLE FIGURE.

18. IN LIGHT OF THESE CONSIDERATIONS, THE ADMINISTRATION REVIEWED THE COMMITTEE PRINT OF S. 2504 WITH THE OBJECTIVES IN MIND OF SIMPLIFYING THE PROCEDURES FOR OBTAINING PATENTS AS MUCH AS POSSIBLE, OF MINIMIZING COSTS AND THE POTENTIAL FOR HARASSMENT TO APPLICANTS, AND OF RETAINING

AS MUCH FLEXIBILITY AS POSSIBLE FOR THE OFFICE TO MODIFY ITS PROCEDURES IN ACCORDANCE WITH NEEDS.

19. ON JULY 3 OF THIS YEAR, COMMISSIONER OF PATENTS DANN FORWARDED A LETTER REPRESENTING THE ADMINISTRATION'S VIEWS ON S. 2504 COMMITTEE PRINT TO SENATOR MCCLELLAN. SUFFICE IT TO SAY THAT SOME IMPROVEMENTS IN THE DIRECTION INDICATED WERE MADE. PERHAPS THIS CAN BE BEST APPRECIATED BY THE FACT THAT WE ESTIMATE THE COST OF IMPLEMENTING S. 2504 COMMITTEE PRINT, IF MODIFIED ACCORDING TO OUR SUGGESTIONS, TO BE REDUCED BY MORE THAN ONE-THIRD FROM ORIGINAL S. 2504.

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20. WHERE WE GO FROM HERE IS UNCERTAIN AT THIS TIME. IT IS NOT LIKELY THAT ANY ADDITIONAL PATENT BILLS WILL BE INTRODUCED IN THE 93RD CONGRESS. ACCORDINGLY, WE ARE NOW LOOKING TOWARD 1975 AND THE BEGINNING OF THE 94TH CONGRESS AND CONSIDERING WHICH OPTIONS APPEAR BEST FOR ACHIEVING A SOUND REVISION OF OUR PATENT LAWS. ALTHOUGH NO FIRM DECISIONS HAVE BEEN MADE YET WITH RESPECT TO THE FUTURE, I CAN ASSURE YOU THAT THE DEPARTMENT OF COMMERCE WILL CERTAINLY HAVE THE BEST INTEREST OF AMERICAN INDUSTRY IN MIND IN ANY PROPOSALS IT SUPPORTS.

21. TURNING BRIEFLY TO ANOTHER ERA OF CURRENT LEGISLATIVE ACTIVITY IN THE PATENT FIELD, I WOULD LIKE TO DISCUSS BRIEFLY THE ENERGY BILLS PRESENTLY PENDING IN THE CONGRESS. NOT ONE OF US IS UNAWARE OF THE VERY CRITICAL ENERGY PROBLEMS FACING ALL INDUSTRIALIZED COUNTRIES AT THIS TIME. IN THE UNITED STATES, THE ENERGY CRISIS RESULTED, AMONG OTHER THINGS, IN A FLURRY OF LEGISLATIVE PROPOSALS DESIGNED TO MAKE THE UNITED STATES INDEPENDENT OF FOREIGN ENERGY SOURCES. PERHAPS THE MOST SIGNIFICANT OF THESE LEGISLATIVE ACTIVITIES INVOLVES THE CREATION OF AN ENERGY RESEARCH AND DEVELOPMENT ADMINISTRATION, COMMONLY REFERRED TO BY ITS ACRONYM--ERDA.

22. AT THIS POINT, I WOULD LIKE TO CLARIFY THAT THERE ARE TWO RELATED, BUT DISTINCT, LEGISLATIVE EFFORTS INVOLVED. FIRST, THERE IS THE "ORGANIZATIONAL" LEGISLATION, TYPIFIED BY H.R. 11510. THIS BILL, WHICH RECENTLY BECAME PUBLIC LAW 93-438, CREATES AN ENERGY RESEARCH AND DEVELOPMENT ADMINISTRATION, PROVIDING AN ORGANIZATIONAL FRAMEWORK FOR "PROJECT INDEPENDENCE."

23. TO BE CONTRASTED WITH THE ORGANIZATIONAL LEGISLATION ARE THE BILLS PASSED BY THE HOUSE AND SENATE WHICH WOULD ESTABLISH POLICY GUIDANCE FOR ERDA. THESE BILLS ARE S. 1283 IN THE SENATE AND H.R. 13565 IN THE HOUSE. IT

IS IN THESE BILLS THAT THE CONTROVERSY REGARDING THE PATENT POLICY TO BE FOLLOWED BY THE NEW ENERGY RESEARCH AND DEVELOPMENT ADMINISTRATION HAVE BEEN FOCUSED.

24. DURING CONSIDERATION OF S. 1283 ON THE SENATE FLOOR,
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SENATORS HART AND LONG PROPOSED AN AMENDMENT TO SECTION 113 OF THAT LEGISLATION WHICH:

REQUIRED THE GOVERNMENT TO TAKE TITLE TO EVERY INVENTION ARISING FROM A GOVERNMENT-SPONSORED CONTRACT

REQUIRED THE CONTRACTOR TO LICENSE HIS BACKGROUND PATENTS, TRADE SECRETS, KNOW-HOW AND TECHNICAL DATA

PERMITTED THE GOVERNMENT TO GRANT ONLY NON-EXCLUSIVE LICENSES TO PATENTS TO WHICH IT TOOK TITLE

AUTHORIZED COMPULSORY LICENSING OF ALL PRIVATELY OWNED PATENTS IN THE ENERGY FIELD.

25. UPON LEARNING OF THIS DEVELOPMENT ON THE FLOOR OF THE SENATE, THE DEPARTMENT OF COMMERCE QUICKLY FORWARDED A LETTER ON BEHALF OF THE ADMINISTRATION TO THE SENATE URGING THAT THE HART-LONG PROVISION NOT BE ADOPTED, ARGUING INSTEAD THAT THE PRESIDENTIAL PATENT POLICY STATEMENT BE ADOPTED AS THE GUIDE FOR ERDA. UNFORTUNATELY, THE DEPARTMENT OF JUSTICE WAS ALSO PERMITTED TO FORWARD A LETTER TO THE SENATE URGING SUPPORT OF THE HART-LONG PROPOSAL. THE NET EFFECT WAS THAT THE SENATE ADOPTED THE HART-LONG AMENDMENT TO SECTION 113 OF S. 1283.

26. AFTER PASSAGE OF S. 1283 AS AMENDED, THE QUESTION OF THE APPROPRIATE PATENT POLICY FOR ERDA WAS TAKEN UP IN THE HOUSE COMMITTEE FOR INTERIOR AND INSULAR AFFAIRS. I TESTIFIED BEFORE THAT COMMITTEE IN FEBRUARY OF THIS YEAR URGING FIRST THAT COMPULSORY LICENSING OF PATENTS NOT BE ADOPTED BECAUSE THERE HAD BEEN NO SHOWING OF NEED AND BECAUSE I BELIEVED IT WOULD IMPEDE, RATHER THAN PROMOTE, PROGRESS IN FINDING SOLUTIONS TO OUR ENERGY PROBLEMS. IN ADDITION, I EXPRESSED STRONG OPPOSITION TO THE GOVERNMENT PATENT POLICY PROPOSAL BY SENATORS HART AND LONG FOR S. 1283 BECAUSE THESE PROPOSALS DO NOT PROVIDE THE FLEXIBILITY NEEDED TO MEET THE VAST VARIETY OF CONTRACTING SITUATIONS WHICH WILL BE ENCOUNTERED BY ERDA AND WOULD DETER PRIVATE FIRMS FROM SEEKING GOVERNMENT CONTRACTS. AS WAS THE CASE IN THE SENATE, HOWEVER, ASSISTANT ATTORNEY GENERAL
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FOR ANTITRUST, TOM KAUPER, ARGUED IN FAVOR OF THE HART-LONG APPROACH.

27. IN THE ENSUING MONTHS FROM FEBRUARY TO THE FALL OF THIS YEAR, A GREAT DEAL OF BEHIND-THE-SCENES EFFORT ON THE PART OF COMMERCE AND JUSTICE OCCURRED, EACH SEEKING TO CONVINCE THE COMMITTEE MEMBERS OF THE WISDOM OF ITS POSITION. EVENTUALLY, THE HOUSE INTERIOR AND INSULAR AFFAIRS COMMITTEE FAVORABLY REPORT H.R. 13565 CONTAINING A SECTION 7 DEALING WITH PATENT POLICY. ALTHOUGH THIS PROVISION WAS REPRESENTED TO BE A COMPROMISE BETWEEN THE DIVERGENT VIEWS OF THE DEPARTMENTS OF COMMERCE AND JUSTICE, UPON CLOSER SCRUTINY, IT WAS CLEAR THAT THIS SO-CALLED COMPROMISE PATENT PROVISION WAS IN FACT NOT A COMPROMISE, BUT A RIGID TITLE-TAKING PROVISION DRESSED IN THE CLOTHING OF A PROVISION PROVIDING THE NEEDED FLEXIBILITY. FOR EXAMPLE, THE ADMINISTRATOR OF ERDA WAS PERMITTED TO WAIVE TITLE TO INVENTIONS AT THE TIME OF CONTRACTING PROVIDED THAT HE DETERMINED, IN AN ON-THE-RECORD ADJUDICATORY PUBLIC HEARING HELD IN ACCORDANCE WITH THE PROVISIONS OF THE ADMINISTRATIVE PROCEDURE ACT, THAT THE WAIVER WOULD NOT SUBSTANTIALLY LESSEN COMPETITION OR TEND TO CREATE A MONOPOLY IN ANY LINE OF COMMERCE IN ANY SECTION OF THE COUNTRY. CONSIDERING THAT THIS IS THE TYPE OF INVESTIGATION WHICH THE ANTITRUST DIVISION OF THE DEPARTMENT OF JUSTICE TAKES YEARS TO COMPLETE, I THINK IT IS OBVIOUS THAT THE SO-CALLED FLEXIBILITY WAS IN FACT NON-EXISTENT. ON THE POSITIVE SIDE, HOWEVER, SECTION 7 OF H.R. 13565 DID NOT CONTAIN ANY COMPULSORY LICENSING PROVISIONS.

28. WHEN THIS LEGISLATION WAS CONSIDERED ON THE FLOOR OF THE HOUSE, SEVERAL MEMBERS, FORTUNATELY IN MY VIEW, STRONGLY CRITICIZED THE PATENT POLICY PROVISIONS OF H.R. 13565 AND SUGGESTED INSTEAD A SUBSTITUTE PROVISION. THE SUBSTITUTE PROVISION WOULD REQUIRE THE ADMINISTRATOR TO STUDY THE QUESTION OF THE APPROPRIATE PATENT POLICY FOR ERDA AND TO REPORT TO THE CONGRESS SIX MONTHS AFTER PASSAGE OF THE BILL. FOLLOWING EXTENSIVE DEBATE ON THE HOUSE FLOOR, THIS PROPOSED SUBSTITUTE FOR SECTION 7 WAS ADOPTED BY A VOTE OF 182 TO 142.

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29. OF COURSE, I CANNOT COMMENT WITH ANY CERTAINTY AS TO THE EVENTUAL OUTCOME OF THE TWO INCONSISTENT PATENT POLICY PROVISIONS IN THE BILLS PASSED BY THE HOUSE AND

SENATE. WE EXPECT THAT THE CONFEREES WILL MEET IN THE VERY NEAR FUTURE TO DISCUSS THE DIFFERENCES BETWEEN THE TWO BILLS AND THAT THE APPROPRIATE PATENT PROVISIONS WILL BE ONE OF THE MAJOR ITEMS ON THE CONFEREES' AGENDA. AGAIN, I CAN ONLY SAY THAT WE WILL FOLLOW THE PROGRESS OF THE CONFEREES VERY CLOSELY AND MAKE EVERY EFFORT TO INSURE THAT SOUND PATENT PROVISIONS ARE INCLUDED IN THIS EXTREMELY IMPORTANT PIECE OF LEGISLATION.

30. I HOPE THAT MY COMMENTS HERE THIS MORNING HAVE SHED SOME LIGHT ON THESE IMPORTANT ACTIVITIES IN THE DEPARTMENT OF COMMERCE. THANK YOU VERY MUCH FOR YOUR ATTENTION AND INTEREST.
KISSINGER

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